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"Adapting to Change: Montana in Transition"

Max S. Baucus

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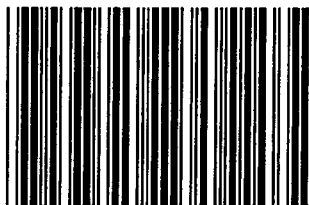
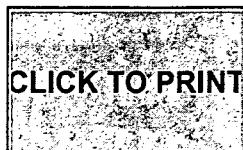
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(2) Subject* **Adapting to Change: Montana in Transition**

DOCUMENT DATE*: **06/18/1989**

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* "required information"



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ADAPTING TO CHANGE:
MONTANA IN TRANSITION

by

Senator Max Baucus

June 18, 1989

Thanks for your kind introduction, and for the invitation to be here today.

This is one group that I don't have to tell what's going on in Montana. MACo members are closer to the economic heartbeat than just about anybody.

And that is where you and I share a major concern: Montana's economy. It's important to all of us, and to our families.

Today, I want to share with you my experiences from today and from other once-a-month work days -- experiences that are probably familiar to most of us -- but sharply different in how they affect us. For myself, my experiences tell me a lot about myself -- and they tell me more about the Montana economy than any economist ever could.

One day each month I work at a different job here at home. On these Montana work days I put in a full shift next to the men and women who are the backbone of this state.

One day I walked the potlines at Columbia Falls Aluminum with a couple of workers: one had worked there 22 years, the other, 10 years.

One cold winter day I worked the Montana Tunnels Gold Mine in Helena -- punching out clogged holes in the ore regrinder, floating the metal concentrate out of the crushed rock.

I thought I would ride the cutting horses at the NILE in Billings last year -- but I spent most of that day on the arena dirt, raking out ruts.

Last month, I spent a day at the hospital in Kalispell. I worked as an orderly, joining the housekeepers in emptying bed pans, removing infectious wastes and helping the nurses and doctors -- they even let me take credit for a few births in the maternity ward ...

I get a lot out of these work days; more than just the satisfaction of making an ill person's stay

in a hospital that much easier, or the appreciation of a hospital orderly -- who probably hasn't seen his U.S. Senator scrub a floor before.

In meeting the folks who make Montana work -- folks like you, folks at Columbia Falls Aluminum and other work places across the state -- I learn a heck of a lot more about what the Montana economy needs than you can learn from any of the government officials, lawyers and economists out in Washington.

The folks in Washington may not recognize it yet, but something is happening out here. I pick it up on work days, in town meetings, and in meetings with farmers, businessmen and influential associations like MACo. We are coming to the end of a difficult era for our country and our state. But we are on the verge of a new era and new decade.

And as we enter the 1990's, never has a fundamental change been so long overdue. President Bush may think a new breeze is blowing, as he said in his Inaugural Address, but it's nothing compared to the winds of change that are sweeping the globe. The world changed in the 1980's, and in many important ways, America did not keep pace.

Here in Montana, we saw what was happening in the world. U.S. farm exports declined from \$43 billion in 1981 to \$26 billion by mid-decade, while farm imports grew from \$15 billion to \$21 billion. In 1986, the nation that has served as the world's breadbasket nearly became a net food importer. While the farm outlook has improved somewhat, some of those markets may be gone forever.

America -- and Montana -- was built on the principle that if you worked hard you would get ahead. The 1980's shattered that principle. Millions of American families today are working hard and still falling behind. Virtually all of Montana's basic industries have suffered hard times. Agriculture, timber and mining have been cut back: Since 1979, these industries have lost about 12,000 jobs, and total worker earnings dropped about 25 percent.

We need to provide those Americans -- and Montana industries -- with the hope of a better day.

And we in Montana know all too well the double-edged sword of multinational corporations and a changing world economy. From agriculture to resources and manufacturing, a changing world economy is challenging America to prepare for a new

economic era.

First, Montana, and the rest of our country, must now compete with the world in selling our agricultural commodities.

We've had some success in breaking down barriers to Montana's export growth. Japan is now buying more beef, and this year the tools of the new trade bill will be employed against countries that persist in maintaining trade barriers. We will combine tough talk with action in Washington on trade this year, and that's good for Montana.

As chairman of the Senate's International Trade subcommittee, I will be working hard with key trade officials to open European, Japanese and Korean markets to U.S. goods. More exports mean more jobs for Montana.

Other major changes touch us at home as well. The U.S. is entering into the "information age." By the year 2000, two out of every three Americans working will be employed in information and services industries.

We in Montana need to work to attract those new

jobs to our state. They're clean industries, and perfectly geared for a hard working, well educated workforce -- like ours. We need to look hard at new incentives to bring business to Montana.

Third, our foreign competitors have been increasing their productivity faster than we have -- in the case of Japan, almost three times as fast. We're slipping behind other countries in the race for the 21st Century.

Despite the hard knocks, Montanans are ready and eager for growth. We can take advantage of the opportunities that lie ahead -- in the 1990's and the 21st century -- if we know how to look for them, and if we prepare now.

First, we have to change a few minds.

In New York and Los Angeles -- the "twin cities of our prosperous bi-coastal economy" -- too few of the bankers and corporate planners consider Montana as a suitable investment because they think we're too far away, or they can't even place us on a map.

We have to change that perception.

We have to educate people about Montana. We

have to tell them of our independence, our neighborliness, our clean air and flowing streams, our abundance of natural resources, our safe streets, and our strong commitment to education.

When we bring these values together, we're unbeatable.

Montana must use these strengths to its advantage. Sure, we want to preserve the good life we have today. I don't want parts of Montana to end up choking on growth like Denver and Salt Lake have. But I think we can have both, if we make the effort.

There are no quick and easy answers. We must learn to look ahead -- past a local street sign, beyond a city or county line, and beyond the borders of our state, of our country.

As General Omar Bradley said of our nation after World War II: "We need to steer by the lights of the stars -- rather than the lights of each passing ship."

Our answers must be based on long-term, strategic planning -- And a commitment by everyone involved -- businessmen and women, state and local

leaders, and the federal government.

We must make better use of our vast natural resources. We must seek every opportunity to find new uses for our resources and bring more value-added processing into the State.

We ship plenty of raw lumber to Japan -- where it's processed into high-priced plywoods and fiberboard. We need to change the equation -- we need to export finished wood products, made by Montanans, in Montana.

Second, we should take better advantage of the awesome beauty of Montana. Glacier Park is a crown jewel in the National Park system -- second to none in beauty. We have some of the best skiing in the world. We need to get out the word on this.

That means even better promotion, better development of our support services, and shrewd marketing.

Third, we must diversify our economic base and begin a serious effort to attract more information, high technology and manufacturing firms into the State. We need to actively advertise and let businesses know that we're interested in them, and

that we want their investment.

During the last Congress, as Chairman of the Rural Economy Subcommittee of the Small Business Committee, I held five hearings on problems facing rural states like Montana and on possible solutions to those problems.

The hearings showed the need for a comprehensive approach to addressing rural problems. A comprehensive package that could receive strong support in Congress this year.

With other Senators, I have worked to fashion legislation that addresses major barriers to rural America's future.

The first barrier is lack of an adequate transportation network. Since Congress deregulated the airlines and railroads, rural America has been forced to endure unstable and inconvenient service. At the same time, prices have skyrocketed.

Recently, I led the fight in the Senate to save the Essential Air Service program which is so critical to Montana. If the Department of Transportation had had its way, seven Montana

communities could have lost all air service.

That is why I threatened to filibuster DOT Secretary Samuel Skinner's confirmation. I knew that if his job were on the line, he'd think twice about letting the proposal go through.

My tactic worked. DOT decided to put the ball back in Congress' court and let us fully fund the program through supplemental appropriations. Last week, the Senate/House conference committee agreed to include the \$6.6 million necessary to fund the program for the remainder of this fiscal year. The final hurdle will be President Bush's signature.

During my conversations with Secretary Skinner, I asked him to come to Montana and travel to Glasgow, Glendive, Havre, Lewistown, Miles City, Sidney and Wolf Point. I wanted Skinner to see first hand how critical essential air service is to our State.

He agreed to come. I think it will be a real eye-opener.

I will soon introduce legislation to ensure EAS does not run short of funds again. My bill will make EAS an entitlement under the Airport and Airway

Trust Fund. That way, funds will always be available for the program. Rural communities will be able to plan for the future and attract business investment without fear that air service may one day be eliminated.

A second barrier is lack of an adequate telecommunications infrastructure. I believe that today, telecommunications is as critical to rural America's future as rural electricity, railway and highway systems have been in the past.

In April, I introduced legislation to establish a loan fund at the Rural Electrification Administration to bring state-of-the-art telecommunications services to rural areas by the year 1994. My legislation will enable rural residents, businesses, hospitals and schools to join and fully participate in the coming "Information Age."

The third barrier to success is lack of access to capital. You know that banks view business in more remote areas as more risky than others. As a result, capital is hard to come by.

I recently introduced legislation establishing

loans funds at the Small Business Administration for rural businesses. One fund will provide equity capital and guarantees to rural businesses on a 50-50 cost split between the fund and private financial sources.

A second fund will address the problem of unavailability of small scale loans and technical assistance for "microbusinesses" located in rural areas. The legislation will establish a special fund designed to make technical assistance and loans of up to \$25,000 available only to businesses employing 15 people or less.

I was pleased when, just this last week, the Senate Agriculture Committee accepted modified forms of my telecommunications and capital formation bills as part of comprehensive legislation on rural development. I believe this legislation is a positive step in ensuring that rural areas have the basic tools necessary to return to the economic mainstream.

Pulling all these things together -- government programs, universities, businesses -- to work for Montana is what we need to do.

But what it all boils down to -- as always --

is people. People working together. You and me finding solutions to Montana's problems.

I want the best for Montana. And I believe we can meet the challenges of the future, because we have the people and the tradition to prove it.

Thanks for having me here today.

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